New Horizon Health Limited
諾輝健康
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6606)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board of directors (the "**Board**") of New Horizon Health Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company, its subsidiaries and consolidated affiliated entities (the "**Group**", "**we**", "**our**" or "**us**") for the year ended December 31, 2022 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

- Revenue was RMB765.0 million for the year ended December 31, 2022, representing a 259.5% increase from RMB212.8 million for the same period in 2021.
- Gross profit and gross profit margin were RMB646.2 million and 84.5%, respectively for the year ended December 31, 2022, as compared to RMB154.6 million and 72.7%, respectively, for the same period in 2021.
- For ColoClear, revenue in Mainland China was RMB356.0 million for the year ended December 31, 2022, representing a 266.2% increase from RMB97.2 million for the same period in 2021. The shipment volume of ColoClear was approximately 805,600 units in 2022, representing a 21% year-on-year increase over the same period in 2021. The revenue-recognizing volume of ColoClear was approximately 361,400 units in 2022, representing a 150% increase from the same period in 2021. The gross profit margin of ColoClear was 83.4% for the year ended December 31, 2022, as compared to 76.0% for the same period in 2021. The increase in the revenue and gross profit from sales of ColoClear is due to (a) the increase in volume of ColoClear sold and recognized as revenue; and (b) the increase in revenue per test due to higher proportion of revenue generated from channels with more favorable revenue per test (such as hospital and direct-to-consumer channels). Specifically, for the year ended December 31, 2022, hospital channel has become the largest revenue contributor and the fastest growing channel for ColoClear, followed by direct-to-consumer channel and then health checkup centers.

- For Pupu Tube, revenue was RMB200.6 million for the year ended December 31, 2022, representing a 73.7% increase from RMB115.5 million for the same period in 2021. The shipment volume of Pupu Tube was approximately 7,962,600 units in 2022, representing a 37% year-on-year increase over the same period in 2021. The gross profit margin of Pupu Tube was 82.1% for the year ended December 31, 2022, as compared to 71.5% for the same period in 2021. The increase in revenue and gross profit from sales of Pupu Tube is due to (a) the increase in volume of Pupu Tube sold and recognized as revenue; and (b) higher revenue per product in direct-to-consumer channel and health checkup centers.

- For UU Tube, revenue was RMB207.8 million for the year ended December 31, 2022 since product launch in January 2022. The shipment volume of UU Tube in 2022 was 3,550,900 units since product launch in January 2022. The gross profit from sales of UU Tube for the year ended December 31, 2022 was RMB188.4 million. The gross profit margin of UU Tube was 90.7% for the year ended December 31, 2022.

(RMB in millions, except for percentage)	**For the year ended December 31, 2022**	For the year ended December 31, 2021	Year-to-year change
Revenue	**765.0**	212.8	259.5%
Mainland China	***764.4***	*212.8*	*259.3%*
ColoClear	**356.0**	97.2	266.2%
Pupu Tube	**200.6**	115.5	73.7%
UU Tube	**207.8**	–	–
International	***0.6***	–	–
Gross Profit Margin	**84.5%**	72.7%	11.8%
Mainland China	***84.5%***	*72.7%*	*11.8%*
ColoClear	**83.4%**	76.0%	7.4%
Pupu Tube	**82.1%**	71.5%	10.6%
UU Tube	**90.7%**	–	–
International	***49.1%***	–	–
Selling and Marketing Expenses[1]	**539.4**	267.9	101.3%
% of Revenue	**70.5%**	125.9%	
Research and Development Expenses[1]	**87.9**	55.0	59.8%
% of Revenue	**11.5%**	25.8%	
Administrative Expenses[1]	**113.4**	93.0	21.7%
% of Revenue	**14.8%**	43.7%	
Adjusted Net Income[2]	**(104.6)**	(259.2)	n/m[5]
Minus: Share-based payment expenses[3]			
Selling and Marketing Expenses	**15.7**	3.5	
Research and Development Expenses	**6.7**	3.9	
Administrative Expenses	**46.2**	16.3	
Add: Net Foreign Exchange Gain (Loss)	**92.9**	(26.2)	
Minus: Listing Expenses	**–**	19.2	
Minus: Fair Value Loss on Preferred Shares	**–**	2,757.0	
IFRS Net Income	**(80.3)**	(3,085.3)	
Cash and Selected Financial Assets[4]	**1,572.7**	1,892.1	

Notes:

1. Items exclude share-based payment expenses.

2. We consider fair value loss on preferred shares, share-based payment expenses, net foreign exchange gain (loss), and listing expenses as non-operational or non-recurring expenses which do not affect our ongoing operating performance. This is presented in accordance with the non-IFRS measures, for details, please refer to the subsection headed "Non-IFRS Measures" in this announcement.

3. Items include share-based payment expenses in selling and marketing expenses, research and development expenses and administrative expenses.

4. Cash and Selected Financial Assets includes cash and cash equivalents, time deposits over three months, structured deposits and pledged bank deposits in financial statement. In January 2023, the Company received total net proceeds of HK$775 million (equivalent to RMB670 million) from the subscription as disclosed in events after the reporting period. The pro forma balance of Cash and Selected Financial Assets is RMB2,242.7 million.

5. "n/m" denotes "not meaningful".

BUSINESS HIGHLIGHTS

Significant progress in commercial operations and research developments have been made in 2022. Some of the key milestones are summarized below:

- In January 2022, the Company received approval from the NMPA of the registration application for UU Tube as Class III medical device, the Company's stool-based self-conducted screening product for gastric cancer by detecting Helicobacter pylori ("**H. pylori**"), the pathogenic bacteria which is the major causative agent for gastric cancer. UU Tube was launched commercially in China in February 2022.

- In February 2022, FIT-DNA was recommended by a newly published medical guideline, Chinese Anti-Cancer Association (CACA) Guideline for Holistic Integrative Management of Cancer (《中國腫瘤整合診治指南》), which marked the third medical guideline to recommend FIT-DNA for the use of screening for high-risk colorectal cancer population in China.

- In June 2022, ColoClear was launched commercially in Hong Kong through the partnership with Prenetics (stock code: PRE.Nasdaq).

- In June 2022, CerviClear, our urine-based self-sampling screening test for cervical cancer has initiated registrational trial, and in November 2022, the first participant was enrolled.

- In November 2022, Pan-Cancer Early Detection clinical program (the "**PANDA Program**"), has launched in China, which is targeting more than 22 cancer types.

EVENTS AFTER THE REPORTING PERIOD

- In January 2023, the Company conducted a top-up placing with 27,543,000 shares of the Company placed to no less than six placees under the general mandate at the placing price of HK$28.38 per share on January 20, 2023 and top-up subscription of 27,543,000 new shares at the subscription price of HK$28.38 per share on January 30, 2023.

- In January 2023, UU Tube started partnership with PHASE Scientific for marketing and sales of UU Tube in Hong Kong.

- In January 2023, the Company established (1) a R&D Center in Hong Kong, mainly engaged in the research and development of cancer screening pipeline, targeting to expanding international market beyond mainland China and (2) New Horizon Health Research Institute based in Hong Kong, which focuses on early stage research and aims to enable next-generation molecular diagnostics with disruptive technology platforms.

- In February 2023, CerviClear obtained CE Mark.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2022	2021
		RMB'000	*RMB'000*
Revenue	*3*	**764,960**	212,761
Cost of sales		**(118,790)**	(58,116)
Gross profits		**646,170**	154,645
Other income		**16,019**	22,731
Other gains and losses	*4*	**96,213**	(2,789,513)
Impairment losses on trade and other receivables		**(21,426)**	(6,632)
Selling and marketing expenses		**(555,080)**	(271,378)
Research and development expenses		**(94,600)**	(58,903)
Administrative expenses		**(159,593)**	(109,310)
Listing expenses		**–**	(19,217)
Finance costs		**(7,361)**	(7,759)
Loss before tax	*5*	**(79,658)**	(3,085,336)
Income tax expense	*6*	**(655)**	–
Loss for the year		**(80,313)**	(3,085,336)
Other comprehensive income (expense) for the year, net of income tax		**4,525**	(594)
Total comprehensive expenses for the year		**(75,788)**	(3,085,930)
Loss for the year attributable to:			
Owners of the Company		**(79,238)**	(3,085,336)
Non-controlling interests		**(1,075)**	–
		(80,313)	(3,085,336)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(74,713)**	(3,085,930)
Non-controlling interests		**(1,075)**	–
		(75,788)	(3,085,930)
Loss per share	*7*		
– Basic (RMB)		**(0.19)**	(8.15)
– Diluted (RMB)		**(0.19)**	(8.15)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2022	2021
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**81,784**	61,056
Intangible assets		**22,420**	18,006
Right-of-use assets		**57,082**	38,890
Deposits paid for acquisition of property and equipment and intangible assets		**5,771**	2,160
Financial assets at fair value through profit or loss ("**FVTPL**")		**79,960**	55,468
Investments in associates measured at FVTPL		**10,215**	9,351
Other receivables and deposits		**20,272**	12,697
Amounts due from related parties		**64,330**	57,108
Time deposits over three months		**40,000**	40,000
Pledged bank deposits		**192,416**	–
		574,250	294,736
Current assets			
Inventories non-research and development related		**26,925**	14,646
Inventories research and development related		**43,611**	44,318
Trade and other receivables	*9*	**584,095**	133,715
Amounts due from related parties		**–**	510
Financial assets at FVTPL		**–**	10,000
Contract costs		**5,634**	13,891
Time deposits over three months		**208,938**	1,045,235
Pledged bank deposits		**–**	110,000
Cash and cash equivalents		**1,131,373**	686,817
		2,000,576	2,059,132
Current liabilities			
Trade and other payables	*10*	**108,628**	38,680
Accrued payroll and welfare expenses		**51,693**	39,466
Contract liabilities		**41,538**	21,943
Refund liabilities		**5,727**	2,639
Bank borrowings		**–**	79,498
Lease liabilities		**19,847**	11,132
		227,433	193,358
Net current assets		**1,773,143**	1,865,774
Total assets less current liabilities		**2,347,393**	2,160,510

	Notes	At December 31,	
		2022	2021
		RMB'000	*RMB'000*
Non-current liabilities			
Bank borrowings		**180,000**	–
Other payables		**601**	1,543
Lease liabilities		**45,142**	32,307
		225,743	33,850
Net assets		**2,121,650**	2,126,660
Capital and reserves			
Share capital		**141**	141
Treasury shares		**(1)**	(1)
Share premium		**6,419,522**	6,413,365
Reserves		**(4,298,012)**	(4,286,845)
Total equity		**2,121,650**	2,126,660

1. GENERAL INFORMATION

New Horizon Health Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from February 18, 2021 (the "**Listing**"). The respective address of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The Company's subsidiaries and consolidated affiliated entities are principally engaged in research and development of screening products for colorectal cancer, cervical cancer and other types of cancer.

These consolidated financial statements are represented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of these amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after January 1, 2023
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after January 1, 2024

The directors of the Company anticipate that the application of all these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

The Group derives its revenue from the transfer of goods and services in the following major product lines:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Mainland China		
– ColoClear	**356,003**	97,216
– Pupu tube	**200,607**	115,466
– UU tube	**207,771**	–
– Others	**15**	79
	764,396	212,761
International[1]	**564**	–
	764,960	212,761

Note:

1: Amount represents sales of ColoClear.

4. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net investment gain (loss) on structured deposits	**2,323**	(319)
Net foreign exchange gain (loss)	**92,857**	(26,172)
Fair value loss of preferred shares	**–**	(2,757,028)
Fair value gain (loss) of early exercise promissory notes	**5,375**	(5,587)
Net loss on disposal of property and equipment	**(55)**	(32)
Net gain on early termination of lease	**64**	–
Loss on fair value changes of financial assets at FVTPL	**(4,351)**	(375)
	96,213	(2,789,513)

5. LOSS BEFORE TAX

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Loss before tax for the year has been arrived at after charging (crediting):		
Depreciation of property and equipment	**24,858**	16,460
Depreciation of right-of-use assets	**22,019**	16,160
Amortisation of intangible assets	**2,150**	2,017
	49,027	34,637
Capitalised in inventories	**(22,701)**	(15,363)
	26,326	19,274
Analysed as:		
Charged in administrative expenses	**15,494**	11,987
Charged in selling and marketing expenses	**853**	454
Charged in research and development expenses	**9,979**	6,833
	26,326	19,274
Auditors' remuneration	**2,280**	2,080
Cost of inventories recognised as cost of sales	**94,403**	50,796
Write-down of inventories (included in cost of sales)	**3,684**	1,456
Write-down of contract costs on finished goods delivered (included in cost of sales)	**15,139**	1,814
Directors' remuneration	**60,665**	24,987
Other staff cost		
Salaries and other benefits	**177,751**	123,485
Retirement benefit scheme contributions	**16,026**	11,348
Discretionary bonus	**34,221**	20,554
Share-based payments	**24,178**	5,663
	312,841	186,037
Capitalised in inventories	**(18,907)**	(13,033)
	293,934	173,004

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Analysed as:		
Charged in administrative expenses	**109,851**	63,712
Charged in selling and marketing expenses	**139,398**	86,593
Charged in research and development expenses	**44,685**	22,699
	293,934	173,004
Research and development expenses		
Staff cost	**44,685**	22,699
Depreciation and amortisation	**9,979**	6,833
Clinic test expenses	**8,343**	3,074
Materials consumed	**23,932**	19,047
Consultancy fee	**3,373**	2,918
Travel expenses	**458**	388
Others	**3,830**	3,944
	94,600	58,903

6. INCOME TAX EXPENSE

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**655**	–

7. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Year ended December 31,	
	2022	2021
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	**(79,238)**	(3,085,336)
Weighted average number of ordinary share for the purpose of basic and diluted loss per share ('000)	**422,929**	378,499

The computation of basic loss per share for both years excluded the unvested share options, unvested restricted shares and unvested restricted share units of the Company.

For the year ended December 31, 2022, the computation of diluted loss per share did not assume the exercise of share options and the vesting of unvested restricted shares and unvested restricted share units since their assumed exercise and vesting would result in a decrease in loss per share.

For the year ended December 31, 2021, the computation of diluted loss per share did not assume the exercise of share options and over-allotment option, and the vesting of unvested restricted shares since their assumed exercise and vesting would result in a decrease in loss per share.

8. DIVIDENDS

No dividend was paid or declared by the Company for the years ended December 31, 2021 and 2022.

9. TRADE AND OTHER RECEIVABLES

	At December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**554,045**	105,995
Other receivables – current	**30,050**	27,720
	584,095	133,715

For sale through other sale channels, the Group normally grants a credit period of 0 to 90 days upon issuance of invoice and may grant a credit term up to 365 days to certain customers. The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on revenue recognition dates at the end of the reporting period:

	At December 31,	
	2022	2021
	RMB'000	*RMB'000*
0 – 90 days	**300,625**	92,128
91 – 180 days	**156,269**	4,763
181 – 365 days	**80,132**	4,886
Over 1 year	**17,019**	4,218
	554,045	105,995

10. TRADE AND OTHER PAYABLES

	At December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**42,960**	23,592
Other payables – current	**65,668**	15,088
	108,628	38,680

The credit period on purchases of goods/services of the Group is ranging from 0 to 90 days. The following is an aged analysis of trade payables, presented based on the invoice dates, at the end of the reporting period:

	At December 31,	
	2022	2021
	RMB'000	*RMB'000*
0 – 60 days	**27,356**	21,171
61 – 90 days	**3,848**	2,385
Over 90 days	**11,756**	36
	42,960	23,592

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

Our vision is to prevent and cure cancer by screening and early detection. Our mission is to advance the innovation and accelerate the adoption of cancer screening technologies in China and globally. As of March 10, 2023, (the "**Latest Practicable Date**"), ColoClear, our flagship product, is offering the first and only NMPA-approved colorectal cancer screening test addressing an untapped 120 million colorectal cancer high risk population in China.

Our Products and Product Pipeline

Founded in November 2015, we are a commercial stage biotech company focused on developing and commercializing innovative cancer screening products to address significant unmet medical needs in the cancer screening in China. We have built an early detection and cancer screening-focused pipeline of four products and product candidates with a strategic emphasis on colorectal cancer screening. We have established an integrated molecular cancer screening platform with comprehensive research and development, clinical development, testing operations and commercialization capabilities.

We are the pioneer in China's colorectal cancer screening market with ColoClear, our proprietary, non-invasive, multi-target, FIT-DNA test, being the first and only molecular cancer screening test in China approved by the NMPA, which targets a 120 million high-risk colorectal cancer population in China.

Our two home-based colorectal cancer screening tests, ColoClear and Pupu Tube, synergistically address target populations with various risk levels. Pupu Tube, our proprietary, non-invasive, stool-based FIT test, is the first and only self-conducted FIT screening product approved by the NMPA in China. UU Tube is a stool-based self-conducted H. pylori test that is approved by NMPA as Class III medical device in January 2022. We are also developing our CerviClear, a non-invasive urine-based home-use screening test for cervical cancer. We have initiated registrational trial for CerviClear in June 2022, and the first participant was enrolled in November 2022.

The following chart summarizes the development status of our products and major product candidates as of the Latest Practicable Date:

Product	Indication	Sample Type	Technology	Global Rights	Development Stage
					Early Stage Development[4] / Late Stage Development[5] / Registrational Trial / NMPA Approval
ColoClear[1]	**Colorectal Cancer**	**Stool**	**FIT-DNA**	✓	→
Pupu Tube[2]	**Colorectal Cancer**	**Stool**	**FIT**	✓	→
UU Tube[3]	**Gastric Cancer**	**Stool**	**Immuno-based**	✓	→
CerviClear	Cervical Cancer	Urine	qPCR	✓	→
LiverClear	Liver Cancer	Blood	Multi-omics	✓	→
NPClear	Nasopharyngeal Cancer	Nasal Swab	qPCR	✓	→
MCED	Pan Cancer	Blood	Multi-omics	✓	→
Other Undisclosed	Other Undisclosed Cancer Types	Undisclosed	Multi-omics	✓	→

1 Prospective registrational trial (n=5,881) achieved colorectal cancer sensitivity of 95.5% and specificity of 87.1%, and advanced adenoma sensitivity of 63.5%; NMPA approval (Class III medical device) obtained in November 2020.

2 NMPA approval (Class II medical device) obtained in March 2018 and CE Mark obtained in June 2018.

3 NMPA approval (Class III medical device) obtained in January 2022.

4 Early stage development refers to technical feasibility, product optimization and finalization of product prototype, and pilot production.

5 Late stage development refers to efficacy testing and large scale manufacturing and completion of a proof-of-concept clinical study, and is ready for registrational trial.

ColoClear

ColoClear is a proprietary non-invasive stool-based FIT-DNA test that utilizes a multi-target approach to detect DNA and hemoglobin biomarkers associated with colorectal cancer and precancerous adenoma. Its non-invasive nature provides convenience to individuals who are unable or unwilling to undergo colonoscopy. It combines gene mutation, gene methylation and hemoglobin results in the laboratory analysis through a proprietary risk assessment algorithm to provide a single positive or negative reportable result. A positive result may indicate the presence of colorectal cancer or advanced adenoma, which should be followed by diagnostic colonoscopy.

ColoClear consists of four integrated components, each designed and approved to work exclusively with the other components: (i) ColoClear IVD (Class III medical device), (ii) our risk assessment algorithm (Class II medical device), (iii) ColoClear sample collection kit (Class I medical device) and (iv) DNA extraction and purification technologies. Only ColoClear sample collection kit is directly used by end-users while the other three components are strictly used in our laboratories as of the Latest Practicable Date. Users collect a stool sample at home using our sample collection kit and then send it to one of our laboratories. In our laboratories, we utilize ColoClear IVD, our Core Product, along with our risk assessment algorithm to analyze the stool sample and determine a test result. ColoClear is the first and only molecular cancer screening test approved by the NMPA, according to Frost & Sullivan. In May 2018, ColoClear IVD was designated as breakthrough approval channel for innovative medical devices by the NMPA. We completed a registrational trial for ColoClear IVD in December 2019 and submitted application for IVD registration as Class III medical device in January 2020, which was approved by the NMPA with issuance of the registration certificate for Class III medical device in November 2020. Our risk assessment algorithm was registered with the NMPA as Class II medical device in November 2020. ColoClear sample collection kit was registered with the NMPA as Class I medical device in December 2016. DNA extraction and purification technologies were registered with the NMPA as Class I medical device in August 2020. All the NMPA certificates have a validity period that lasts for five years, and each component of ColoClear is currently qualified for re-certification upon renewal of the respective certificate. ColoClear was also included in three medical guidelines for colorectal cancer screening, i.e., China Guideline for the Screening, Early Detection and Early Treatment of Colorectal Cancer (2020, Beijing) (《中國結直腸癌篩查與早診早治指南》(2020, 北京)) in January 2021, Chinese Society of Clinical Oncology (CSCO) Diagnosis and Treatment Guidelines for Colorectal Cancer 2021 (《2021 CSCO 結直腸癌診療指南》) in April 2021, and Chinese Anti-Cancer Association (CACA) Guideline for Holistic Integrative Management of Cancer (《中國腫瘤整合診治指南》) in February 2022.

Pupu Tube

Pupu Tube is a proprietary non-invasive stool-based FIT colorectal cancer screening product to detect hemoglobin biomarkers associated with colorectal cancer. It is an integrated device for sample collection, dilution, and FIT test by end-users. Based on fecal occult blood testing, Pupu Tube provides a simple and convenient method to detect colorectal cancer at home. According to Frost & Sullivan, Pupu Tube is the first and only self-conducted FIT screening product for colorectal cancer approved by the NMPA. Pupu Tube is designed to target the mass market of 633 million target population in China that generally falls in the age groups for which regular colorectal cancer screening is recommended and to identify the high colorectal cancer risk population that would require further screening with a higher sensitivity, such as ColoClear, or treatment. We obtained the NMPA registration certificate of Class II medical device for Pupu Tube in March 2018 and commercialized Pupu Tube since then. We have also obtained CE Mark for Pupu Tube in June 2018.

UU Tube

UU Tube is our stool-based self-conducted screening product for gastric cancer by detecting H. pylori, the pathogenic bacteria which is the major causative agent for gastric cancer. We completed the registrational trial for UU Tube in November 2020, and submitted the application to the NMPA to register UU Tube as Class III medical device in November 2020. We received the approval from the NMPA of the registration application for UU Tube as Class III medical device.

CerviClear

CerviClear is our non-invasive urine-based home-use screening test for cervical cancer. In June 2022, we have initiated the registrational clinical trial for CerviClear and plan to submit application for the registration of CerviClear IVD as Class III medical device with the NMPA after the registrational clinical trial is completed. In November 2022, the first participant was enrolled. As of the Latest Practicable Date, there was no approved home-use urine-based cervical cancer screening test in China, according to Frost & Sullivan.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET CERVICLEAR SUCCESSFULLY.

LiverClear

We started our research and development of LiverClear, a multi-omics liquid biopsy screening test for liver cancer, which is based on our internally developed platform combining DNA/RNA/Protein. Leveraging on its internal multi-omics technology platform and machine learning capability, LiverClear, we believe, is able to achieve much higher detection sensitivity and specificity for liver cancer compared to conventional blood AFP test. We aim to initiate a prospective multi-center clinical trial of LiverClear between the fourth quarter of 2022 and the first quarter of 2023.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET LIVERCLEAR SUCCESSFULLY.

NPClear

We started our pre-clinical study of NPClear, a non-invasive screening test using nasopharyngeal swab for nasopharyngeal cancer. We plan to carry out a series of clinical studies after the product is finalized in June 2023, and aim to initiate registration trial in June 2024 and proceed to obtain NMPA and new drug application approval in June 2025.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET NPCLEAR SUCCESSFULLY.

PANDA Program

We launched a pan-cancer early detection program (PANDA program) in 2022 and aim to complete the program in six years at least, with a total investment expected to exceed RMB200 million and with 50,000 participants enrolled. The program will be divided into four phases: (i) 7,500 participants will be retrospectively enrolled in the algorithm model establishment phase (PANDA-1); (ii) 5,000 participants will be retrospectively enrolled in the model optimization and finalization phase (PANDA-2); (iii) 17,500 participants will be prospectively enrolled in the model independent validation phase (PANDA-3); and (iv) 20,000 participants will be enrolled in the real-world cohort study phase (PANDA-4).

WE MAY NOT BE ABLE TO ULTIMATELY MARKET PAN-CANCER EARLY DETECTION SUCCESSFULLY.

Research & Development

We focus on developing innovative technologies to enhance our existing pipeline and to develop new cancer screening tests. We believe that our success has depended and will continue to depend to a large extent on our ability to develop new or improved cancer screening products. Our research and development capabilities are proven by our portfolio of proprietary technologies and patents. We have started research and development for ColoClear test since 2015. With over five years of dedicated research and development efforts, we have built a proprietary and extensive database of Asian-specific colorectal cancer methylation pattern profiles and developed our clinically-validated risk assessment algorithm (Class I medical device) for ColoClear which is the first algorithm-driven cancer screening test approved by the NMPA. Our multi-parameter risk assessment algorithm is the first and only one in China. It is tailored and optimized to work exclusively with our primers, reagents and the overall ColoClear testing process, therefore cannot be replicated by our competitors without conducting a large prospective clinical trial. Due to the fact that our clinically validated risk assessment algorithm, whose parameters are not publicly available and strictly confidential, is developed based on, and works exclusively with ColoClear IVD, any potential competitor who tries to develop its own IVD reagent, or replicate our ColoClear IVD, will not only have to develop its own risk assessment algorithm, but also have to validate such algorithm through a large-scale prospective clinical trial as required by the NMPA. Our proprietary DNA extraction technology (Class I medical device) enables us to purify evaluable DNA from highly-complex stool samples and achieve a success rate of approximately 99.4%, based on our operational data collected between October 2019 and September 2020. Our proprietary DNA sample stabilization technology preserves DNA and hemoglobin at room temperature for up to seven days.

We are engaged in ongoing research and development activities to deliver clinically advanced new products, to enhance the effectiveness, ease of use, safety and reliability, and to expand the applications of our products. As of the Latest Practicable Date, we had two major cancer screening product candidates in the late stage of development. We will continue our research and development activities for new products and technological innovations including advancing our in-house multi-omics platform and enhancing the development of our platforms of genomics, epigenomics and proteomics and build up the platforms of transcriptomics and metabolomics.

We have a strong in-house research and development team primarily based in Beijing, Hangzhou and Hong Kong, China as of the Latest Practicable Date, over 74.6% of whom possessed a master or doctorate degree. The team is led by our Chief Scientific Officer, Dr. Yiyou CHEN, and our Chief Technology Officer, Dr. Ning LU.

Testing and Manufacturing Capacity

As of the Latest Practicable Date, we have three laboratories located in Beijing, Hangzhou and Guangzhou, China, with a gross floor area of approximately 2,000 sq.m., 3,700 sq.m. and 1,300 sq.m., respectively. Our Beijing, Hangzhou and Guangzhou laboratories have obtained National Center for Clinical Laboratories External Quality Assessment Certificates and PRC Practice Licenses of Medical Institution. All our laboratories have conducted registrations and obtained licenses as applicable, and are authorized to perform polymerase chain reaction ("**PCR**") amplification for clinical use. Our testing capacity is enhanced by the fact that our testing laboratories and PCR platforms can be shared between ColoClear and CerviClear for testing services.

Manufacturing Facilities

As of the Latest Practicable Date, our principal manufacturing facility is located at our headquarters with an aggregate GFA of approximately 11,300 sq.m. in Hangzhou, Zhejiang province, China, which was primarily used for the production of our cancer screening products and product candidates, including ColoClear, Pupu Tube, and UU Tube. Our manufacturing facilities are equipped with advanced automation which can significantly improve efficiency and reduce manufacturing cost. Our manufacturing facilities are designed to provide synergy between our commercialized products and product candidates in order to achieve economies of scale and operating efficiency. Our production lines for Pupu Tube and UU Tube can be shared.

Commercialization

We have three self-developed cancer screening tests, namely, (i) Pupu Tube, which was approved by the NMPA in March 2018 and received CE Mark in June 2018, (ii) ColoClear, the core component of which, ColoClear IVD, has been approved by the NMPA in November 2020, and (iii) UU Tube, which was approved by the NMPA in January 2022. On March 15, 2021, the Company and AstraZeneca entered into the Co-promotion Agreement, pursuant to which the parties will jointly promote ColoClear in public hospitals, pharmacies and internet hospitals in mainland China. On March 15, 2021, the Company and AstraZeneca entered into the strategic collaboration memorandum, to launch an in-depth strategic collaboration in the mainland China market. The Company also entered into a series of strategic partnerships with including, but not limited to, the following partners in China: JD Health (stock code: 06618.HK) in April 2021, Ping An Healthcare (stock code: 01833.HK) in July 2021, Picahealth (雲鵲醫) in July 2021 and China Post (中國郵政) in August 2021, respectively, to raise public awareness of colorectal cancer screening and increase penetration for ColoClear and Pupu Tube across clinical, direct-to-consumer, and insurance markets. In June 2022, ColoClear was launched commercially in Hong Kong through the partnership with Prenetics (stock code: PRE.Nasdaq).

Industry Overview

Colorectal cancer screening tests have huge market potential in China, given China has the highest colorectal cancer incidence in the world and colorectal cancer is one of the most curable and preventable cancers if detected early, which makes colorectal cancer screening tests in high demands. Despite its relatively high mortality rate, colorectal cancer is widely accepted by medical communities as one of the most curable and preventable cancers if detected early. Patients who are diagnosed early in the progression of the disease (i.e., with precancerous lesions or polyps or early-stage cancer) are more likely to have a complete recovery and incur less medical expenses. The colorectal cancer screening market in China is expected to experience accelerated growth mainly due to aging population, development of public awareness of colorectal cancer, increasing government support, prospective socioeconomic advantages and significant technology advancements. ColoClear is currently the only screening test in China with the ability to detect precancerous lesions such as advanced adenoma. As of the Latest Practicable Date, Pupu Tube is the first and only self-conducted FIT screening product approved by the NMPA for colorectal cancer screening in China.

Impact of the COVID-19 Outbreak

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. COVID-19 outbreak disrupted the normal life and daily routine of the global population and in amidst of this global pandemic, cancer screening naturally became less a priority as compared to other more imminent health concerns. The worldwide COVID-19 outbreak had significantly impacted the cancer screening industry due to the restricted access to medical institutions. Health checkup centers are our major sales channels, and therefore, our revenue and profitability, as well as shipment, have been affected by the COVID-19 outbreak in the Reporting Period to a certain extent. Since early December 2022, the Chinese government announced certain new measures for dealing with COVID-19 which eased the restrictions previously imposed with respect to pandemic control. As a result, regional lockdowns, quarantine requirements and inter-region travel restrictions have been gradually lifted. While the relaxation of COVID-19-related pandemic control measures has allowed many offline business operations across China to resume, a surge in infection of the Chinese population also ensued. Despite the foregoing, our revenue increased. Our revenue was RMB765.0 million for the year ended December 31, 2022, representing a year-on-year increase of approximately 259.5% compared to the year ended December 31, 2021. The increase in revenue was primarily attributable to the increased revenue and the gross profit of our products, namely, ColoClear and Pupu Tube, as well as new product launch of UU Tube in January 2022.

The shipment volume of ColoClear accelerated in 2022, which was approximately 805,600 units, representing a 21% increase over the same period in 2021. The shipment volume growth was primarily driven by the increasing receptivity among customers and rising product awareness by physicians since ColoClear approval by the NMPA in November 2020. Shipment volume is generally considered a leading indicator for future ColoClear revenue which would be recognized when we complete the testing service and deliver the test results or when the delivered sample collection kits are expired.

With respect to Pupu Tube, the shipment volume of Pupu Tube in 2022 was 7,962,600 units, representing a year-on-year increase of 37%. The sales performance of Pupu Tube in 2022 improved since the strong market demand and the cooperation with major customers leads to the increase of sales volume.

With respect to UU Tube, the shipment volume of UU Tube in 2022 was 3,550,900 units since product launch in January 2022. The sales performance of UU Tube in 2022 was driven by consumers' great attention to the Helicobacter pylori, and the self-test of UU Tube is non-invasive and painless, which is highly recognized by the market.

At the same time, due to social distancing practices, contactless point-of-care screening methods which allow users to conduct tests without going to the hospitals or clinics are needed and recommended for use. Consumers tend to use contactless point-of-care screening technologies, such as at-home cancer screening tests rather than visiting the hospital. Moreover, due to this worldwide epidemic, medical resources are overwhelmed, with decreased number of doctors and physicians available for cancer screening tests.

II. FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this announcement.

Revenue

During the Reporting Period, our revenue was mainly generated from (i) ColoClear, (ii) Pupu Tube, and (iii) UU Tube. The Group's revenue for the year ended December 31, 2022 was RMB765.0 million, representing an increase of 259.5% compared to RMB212.8 million for the year ended December 31, 2021. The increase was primarily attributable to the increased revenue and the gross profit of our products, namely, ColoClear and Pupu Tube, as well as new product launch of UU Tube in January 2022.

The following table sets forth a breakdown of our revenue by test for the years indicated:

	For the year ended December 31,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Mainland China				
– ColoClear	**356,003**	**46.5**	97,216	45.7
– Pupu tube	**200,607**	**26.2**	115,466	54.3
– UU tube	**207,771**	**27.2**	–	–
– Others	**15**	**–**	79	–
	764,396	**99.9**	212,761	100.0
International[1]	**564**	**0.1**	–	–
	764,960	**100.0**	212,761	100.0

Note:

1: Amount represents sales of ColoClear.

For ColoClear, revenue was RMB356.0 million for the year ended December 31, 2022, as compared to RMB97.2 million for the year ended December 31, 2021, primarily attributable to (a) the increase in volume of ColoClear sold and recognized as revenue; and (b) the increase in revenue per test due to higher proportion of revenue generated from channels with more favorable revenue per test (such as hospital and direct-to-consumer channels). Specifically, for the year ended December 31, 2022, hospital channel has become the largest revenue contributor and the fastest growing channel for ColoClear, followed by direct-to-consumer channel and then health checkup centers.The shipment volume of ColoClear also increased significantly in 2022, which was approximately 805,600 units, representing a 21% year-on-year increase over the same period in 2021.

For Pupu Tube, revenue was RMB200.6 million for the year ended December 31, 2022, as compared to RMB115.5 million for the year ended December 31, 2021, primarily attributable to (a) the increase in volume of Pupu Tube sold and recognized as revenue; and (b) higher revenue per product in direct-to-consumer channel and health checkup centers.

For UU Tube, revenue was RMB207.8 million for the year ended December 31, 2022 since the product launch in January 2022, primarily attributable to (a) the increase in volume of UU Tube sold and recognized as revenue; and (b) higher revenue per product in direct-to-consumer channel and health checkup centers.

Cost of Sales

The cost of sales primarily consists of staff costs, manufacturing overhead, raw material costs, depreciation and amortization, utility costs, write-down of inventories and others.

The Group's cost of sales for the year ended December 31, 2022 was RMB118.8 million, representing an increase of 104.4% compared to RMB58.1 million for the year ended December 31, 2021. The increase was primarily attributable to the increase of sales volume.

The table below sets forth a breakdown of our cost of sales in absolute amount and as a percentage of our total cost of sales for the years indicated:

	For the year ended December 31,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Mainland China				
– ColoClear	**59,016**	**49.7**	23,302	40.1
– Pupu tube	**35,965**	**30.3**	32,866	56.6
– UU tube	**19,399**	**16.3**	–	–
– Others	**440**	**0.4**	492	0.8
– Write-down of inventories	**3,683**	**3.1**	1,456	2.5
	118,503	**99.8**	58,116	100.0
International[1]	**287**	**0.2**	–	–
	118,790	**100.0**	58,116	100.0

Note:

1: Amount represents sales of ColoClear.

Our costs of sales of ColoClear increased from RMB23.3 million for the year ended December 31, 2021 to RMB59.3 million for the year ended December 31, 2022, representing a year-over-year increase of 154.5%. Our costs of sales of Pupu Tube increased from RMB32.9 million for the year ended December 31, 2021 to RMB36.0 million for the year ended December 31, 2022, representing a year-over-year increase of 9.4%, primarily due to the increase of sales volume. Our costs of sales of UU Tube for the year ended December 31, 2022 was RMB19.4 million since product launch in January 2022. Our other costs primarily include costs of sales of other cancer screening test.

Write-down of inventories increased from RMB1.5 million for the year ended December 31, 2021 to RMB3.7 million for the year ended December 31, 2022, representing a year-over-year increase of 153.0%, which was primarily due to the increase in revenue and shipments in channels which lead to higher write-down of inventories.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue.

For the year ended December 31, 2022, the gross profit was RMB646.2 million, representing an increase of approximately 317.8% from RMB154.6 million for the year ended December 31, 2021. Gross profit margin was 84.5% for the year ended December 31, 2022, and expanded by approximately 1,180 bps from 72.7% for the year ended December 31, 2021. The increase in gross profit was primarily due to the increased revenue and the gross profit of our products, namely, ColoClear and Pupu Tube, as well as new product launch of UU Tube in January 2022. The increase in gross profit margin was primarily due to the increased gross profit margin of both ColoClear and Pupu Tube, as well as attractive gross profit margin of UU Tube.

The table below sets forth a breakdown of our gross profit and gross profit margin by test for the years indicated:

	For the year ended December 31,			
	2022		2021	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Mainland China				
– ColoClear	**296,987**	**83.4**	73,914	76.0
– Pupu tube	**164,642**	**82.1**	82,600	71.5
– UU tube	**188,372**	**90.7**	–	–
– Others	**(425)**	**n/m[1]**	(413)	n/m[1]
International[2]	**277**	**49.1**	–	–

Notes:

1: "n/m" denotes "not meaningful".

2: Amount represents sales of ColoClear.

For ColoClear, the gross profit margin was 83.4% for the year ended December 31, 2022, as compared to 76.0% for the same period in 2021, primarily due to (a) lower cost per test thanks to economics of scale; (b) higher revenue per test within hospital and direct-to-consumer channel; and (c) more favorable channel mix where increased proportion of revenue came from hospital and direct-to-consumer channels which have higher revenue per test. Specifically, for the year ended December 31, 2022, hospital channel has become the largest revenue contributor and the fastest growing channel for ColoClear, followed by direct-to-consumer channel and then health checkup centers.

For Pupu Tube, the gross profit margin was 82.1% for the year ended December 31, 2022, as compared to 71.5% for the year ended December 31, 2021, primarily attributable to higher revenue per test (both on blended basis and for each individual channel) and lower manufacturing cost per unit.

For UU Tube, the gross profit margin was 90.7% for the year ended December 31, 2022 since product launch in January 2022.

Other gains and losses

Our other gains and losses consist of fair value loss of preferred shares, net foreign exchange loss or gain and others. The Group's other gains and losses for the year ended December 31, 2022 was a gain of RMB96.2 million, compared to a loss of RMB2,789.5 million for the year ended December 31, 2021. The gain was primarily attributable to the gain of foreign exchange and there is no fair value loss of preferred shares.

Other Income

Our other income consists of government subsidies, bank interest income and others. The Group's other income for the year ended December 31, 2022 was RMB16.0 million, representing a decrease of 29.5% compared to RMB22.7 million for the year ended December 31, 2021. The decrease was primarily attributable to the decrease in monetary funds.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff cost, sales promotion expenses, travel expenses and others.

The Group's selling and marketing expenses for the year ended December 31, 2022 was RMB555.1 million, representing an increase of 104.5% compared to RMB271.4 million for the year ended December 31, 2021. The increase was primarily due to the increase of staff cost and sales promotion expenses.

Research and Development Expenses

The research and development expenses for the Group primarily consist of staff cost, clinical trial and service expenses, cost of research and development materials and equipment and other expenses.

The Group's research and development expenses for the year ended December 31, 2022 was RMB94.6 million, representing an increase of 60.6% compared to RMB58.9 million for the year ended December 31, 2021. The increase was primarily due to the increase of staff cost and the cost of research and development materials.

The table below sets forth a breakdown of our research and development expenses in absolute amount and as percentage of our total research and development expenses for the years indicated:

	For the year ended December 31,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Research and development expenses				
Staff costs	**44,685**	**47.2**	22,699	38.5
Cost of research and development materials and equipment	**33,910**	**35.9**	25,880	43.9
Clinical trials and service expenses	**11,716**	**12.4**	5,992	10.2
Others	**4,289**	**4.5**	4,332	7.4
Total	**94,600**	**100.0**	58,903	100.0

Our staff cost primarily consists of salaries, welfare and pension for our research and development employees. Our costs of research and development materials and equipment consumed represent expenses on the raw materials used for developing our product candidates, and the depreciation of equipment and renovation of our research and development facilities as well as amortization of intangible assets. Our clinical trials and service expenses include expenses incurred for conducting clinical trials, including payment to contract research organisations in relation to our clinical trials. Others mainly comprise travel expenses, testing expenses and other general expenses incurred for the purpose of research and development.

Administrative Expenses

The administrative expenses for the Group primarily consist of staff cost, professional service fees, depreciation and amortisation and others. The Group's administrative expenses for the year ended December 31, 2022 was RMB159.6 million, representing an increase of 46.0% compared to RMB109.3 million for the year ended December 31, 2021. The increase was primarily attributable to the increase of staff cost.

Impairment Losses on Trade and Other Receivables

The Group's impairment losses on trade and other receivables for the year ended December 31, 2022 was RMB21.4 million, representing an increase of 223.1% compared to RMB6.6 million for the year ended December 31, 2021. The increase was primarily attributable to the deteriorated cash flow of the Group's customers which were affected by the COVID-19 pandemic.

Finance Costs

The Group's finance costs for the year ended December 31, 2022 was RMB7.4 million, representing a decrease of approximately 5.1% compared to RMB7.8 million for the year ended December 31, 2021. The decrease was primarily attributable to the decrease of bank borrowing rates.

Income Tax Expense

The Group's income tax expense for the year ended December 31, 2022 was RMB0.7 million, compared to the income tax expense of nil for the year ended December 31, 2021.

Non-IFRS Measures

To supplement our consolidated statement of profit or loss and other comprehensive income which are presented in accordance with the IFRS, we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period-to-period by eliminating potential impacts of certain non-operational or non-recurring expenses that do not affect our ongoing operating performance, including fair value loss on Preferred Shares, share-based payment expenses, net foreign exchange gain/loss and listing expenses. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance. Fair value loss of Preferred Shares represent the changes in fair value of the conversion option associated with the Preferred Shares, which is non-recurring and non-operational in nature. Share-based payment expenses are non-operational expenses arising from granting shares to selected executives, employees and research and development consultants. The amount of relevant expenses may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities. With respect to share-based payment expenses, determining its fair value involves significant judgment. Historical occurrence of share-based payment expenses is not indicative of any future occurrence. Net foreign exchange gain/loss represent the Group's foreign currency exposure resulting from the fluctuation of the foreign exchange rates. The Company believes that the gains and losses from changes in foreign exchange rates are generally not representative to the Group's core operating results or evaluating its economic performance of its businesses as the Group did not actively hedge exposure of foreign currency other than currency diversification. Listing expenses are in relation to the listing and the global offering, which are non-recurring in nature. Therefore, we do not consider fair value loss on Preferred Shares, share-based payment expenses, net foreign exchange gain/loss and listing expenses to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows reconciliation of net loss for the year to our adjusted net loss for the years indicated:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net loss for the year	**(80,313)**	(3,085,336)
Net foreign exchange gain/loss	**(92,857)**	26,172
Fair value loss on Preferred Shares	**–**	2,757,028
Share-based payment expenses[1]	**68,595**	23,698
Listing expenses	**–**	19,217
Adjusted net loss[2]	**(104,575)**	(259,221)

Notes:

1: Item includes share-based payment expenses in selling and marketing expenses, research and development expenses and administrative expenses.

2: We consider fair value loss on Preferred Shares, share-based payment expenses, net foreign exchange gain/loss and listing expenses as non-operational or non-recurring expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the fair value loss on Preferred Shares, share-based payment expenses, net foreign exchange gain/loss and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from period-to-period.

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group reviews and manages its capital structure regularly, and makes timely adjustments to it in light of changes in economic conditions.

The capital structure of the Group consists of net debts, which includes bank borrowings and net of bank balances and cash, and equity attributable to owners of the Company, comprising share capital and reserves. The Group will balance its overall capital structure through the new shares issuance as well as the issuance of new debts and redemption of existing debts.

Liquidity and Financial Resources

The Group's time deposits over three months, pledged bank deposits, as well as cash and cash equivalents as at December 31, 2022 were RMB1,572.7 million, representing a decrease of 16.4% compared to RMB1,882.1 million as at December 31, 2021. The decrease was primarily attributable to the funds consumed due to our business development. The major sources of the Group's liquidity are equity financing and bank borrowings.

As at December 31, 2022, our secured bank borrowing was RMB180 million. In 2022, the Group entered into a new loan agreement. Pursuant to the agreement, the Group is required to place pledged bank deposits in USD amounting to 1.1 times the carrying amount of the bank borrowings, which carried a fixed interest rate of 3.9% per annum, as security to the existing bank borrowings with carrying amount of RMB180,000,000.

As at December 31, 2021, our secured bank borrowing was RMB79.5 million. The bank borrowing was unguaranteed, originally repayable by monthly installments and to be mature in November 2022, and carried with an original fixed rate interest rate of 6.5% per annum. Pursuant to a supplemental agreement dated May 20, 2021 entered into by the Group and the relevant borrowing bank (the "**Supplemental Agreement**"), the interest rate of the bank borrowing was modified from a fixed interest rate of 6.5% per annum to a fixed interest rate of 4% per annum and the repayment term of the principal amount is modified from monthly instalment to full repayment at the maturity date of the bank borrowings on November 1, 2022. Such bank borrowing was originally secured by our historical and future trade receivables, which was released and substituted by the security of pledged bank deposits amounting to RMB110,000,000, which carried with a fixed interest rate of 2% per annum pursuant to the Supplemental Agreement. Furthermore, pursuant to the Supplemental Agreement, upon the Listing, the Group was required to pay a 2% fee calculated based on the maximum amount of the borrowing drawdown by the Group during the loan period ("**Success Fee**"). During the year ended December 31, 2022, the Group had fully repaid the borrowing at its maturity date.

At December 31, 2022, we had utilized RMB180 million from our banking facilities, and RMB40 million remained unutilized under our banking facilities. The utilization of the remaining balance of the secured banking facilities is subject to certain conditions, including time limits and certain financial performance requirements.

The Company is aware that the Federal Deposit Insurance Corp. has taken control of Silicon Valley Bank ("**SVB**") due to liquidity concerns. The Company does not hold cash deposits or securities with SVB, and it does not have any business relationship with SVB.

Gearing ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as at December 31, 2022 was 18%, representing an increase of 8% compared to 10% as at December 31, 2021.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our time deposits, cash and bank balances, amount due from related parties, trade and other receivables, trade and other payables and Preferred Shares are denominated in foreign currency which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Significant Investments Held

During the Reporting Period, the Group did not have any significant investments, acquisitions or disposals.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

As at December 31, 2022, the Group had 878 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, projects and stock incentive plans to our employees especially key employees.

During the Reporting Period, the total staff costs (including Directors' emoluments) were approximately RMB312.8 million (for the year ended December 31, 2021: RMB186.0 million).

Future Plans Relating to Material Investment or Capital Asset

As at the date of this results announcement, the Group did not have any future plan of material investment or capital asset.

Capital Expenditure and Commitments

The Group's capital expenditures in 2022 primarily related to purchase of property, plant and equipment, and intangible assets. In 2022, the Group incurred RMB53.8 million in relation to capital expenditures as compared to RMB37.1 million in 2021.

Contingent Liabilities

The Group had no material contingent liability as of December 31, 2022.

Charges on Group Assets

As at December 31, 2022, the Group did not have any other charges over its assets.

III. OUTLOOK AND PROSPECTS

We plan to execute the following strategies to achieve our vision and mission.

Further develop the cancer screening market in China

According to the Healthy China 2030, it is expected that the overall 5-year cancer survival rate will be no less than 43.3% and 46.6% by 2022 and 2030, respectively; the early diagnosis rate of key cancer species in high incidence areas will reach 55% and above and will continue to improve; thereby achieving the regular participation of high risk groups of people in cancer prevention physical examinations. In addition, screening and early detection and early treatment guidelines will be established for key cancers that have high incidence rates and relatively more mature screening methods and technical solutions, such as gastric cancer, esophageal cancer, colorectal cancer, lung cancer, cervical cancer and breast cancer. Given the low penetration rate in China for cancer screening and the PRC's government initiatives to increase cancer early detection rate as mentioned above, we believe it is critical to further promote awareness of cancer screening and increase compliance. We plan to further advance the cancer screening market in China by increasing physician and user awareness and developing other effective cancer screening solutions.

We believe one of the key steps for promoting cancer screening awareness is through hospitals and physicians. We will leverage our strong relationship with Key Opinion Leaders ("**KOL(s)**") to continue and enhance our efforts in physician education in China. These efforts include sponsoring academic conferences, updating physicians on the latest developments in cancer screening industry, and collaboration with them to increase awareness of cancer screening among mass population. We also plan to directly promote mass market awareness on cancer screening in China through expanded sales of Pupu Tube. Pupu Tube's affordable price and user-friendly features enable colorectal cancer screening among the mass population. We will further promote the awareness of comprehensive colorectal cancer screening products such as ColoClear once the high risk population is identified by Pupu Tube. We will also further our partnership with multiple anti-cancer associations in China, such as the Cancer Foundation of China, to join their anti-cancer campaigns and other charity events to further improve cancer screening awareness.

Increase market penetration of ColoClear, Pupu Tube, and UU Tube in China

We plan to further increase the market penetration of ColoClear and Pupu Tube to reinforce our market-leading position in China's colorectal cancer screening market. We will leverage on our multi-pronged commercialization channels to promote ColoClear. We will take advantage of our leading position as the first and only NMPA approved molecular cancer screening test to further promote our brand name and enhance awareness not only among KOLs and physicians but also among end-users to further capture the enormous growth potential in the colorectal cancer screening market in China. We plan to strengthen our collaboration with leading contract sales organisations in China to further promote our products among physicians and hospitals, by leveraging their sales and marketing expertise and their extensive coverage on hospitals.

In addition, for both our ColoClear and Pupu Tube, we plan to advance our academic promotion and engagement with physicians and hospitals to increase sales at our covered hospitals as well as to expand our coverage to cover new physicians and hospitals in China. We also plan to enhance our collaborations with health checkup centers, insurance companies, online healthcare platforms, pharmacies and other authorized agents to market ColoClear and Pupu Tube. To support our marketing efforts, we plan to recruit more talents and expand our commercialization team.

With the commercial launch of UU Tube in January 2022, we plan to increase the market penetration of UU Tube, which is the only NMPA approved self-test for H. pylori. We plan to leverage our existing commercial infrastructure and partnerships to accelerate the commercial ramp-up of UU Tube, whose customers, distributors, and partners are believed to be highly synergistic to those of Pupu Tube.

Expand our research and development capabilities and develop our pipeline products

We will prudently make investments in technological innovation to expand our research and development capabilities and such investment is a key to our future success. To support our research and development efforts, we plan to recruit additional experts to strengthen our internal research and development team, and complement our in-house research and development capabilities through collaborations with reputable domestic and international academic and medical institutions.

In addition to colorectal cancer, we plan to develop screening tests for other types of cancers which are curable or preventable at lower treatment costs if detected at early stages. We plan to advance our pipeline products, in particular CerviClear for cervical cancer screening, to further expand our coverage within the cancer screening market. We submitted registration application for UU Tube to the NMPA in November 2020 and plan to initiate the registrational clinical trial of CerviClear. Leveraging our multi-omics biomarker technology platform and expertise, including our next generation sequencing and proteomics technologies and infrastructure, we will further expand our proprietary data base and enhance our biomarker discovery capability and next generation sequencing platform for our future cancer screening product development.

We will leverage our proprietary technologies and know-how, as well as our collaboration with KOLs, to develop new products with significant unmet medical needs. We believe the continued diversification of our product portfolio will help strengthen our market-leading position and generate significant operational efficiency that will drive our profitability.

Improve profitability and support future growth by enhancing our manufacturing and laboratory testing facilities

We have built manufacturing facilities in Hangzhou with an annual capacity of 10 million Pupu Tube, 5 million ColoClear and 10 million UU Tube. Our manufacturing facilities are good manufacturing practices (GMP) certified in China. The facilities have produced all Pupu Tube for its clinical development and commercialization and all ColoClear to support its clinical development.

We have laboratory testing facilities in Beijing, Hangzhou and Guangzhou with an aggregate capacity of 2,000,000 tests per year. We plan to enhance our manufacturing and laboratory testing facilities by further investment in automation to enhance manufacturing and testing efficiency and improve our profitability. It will also shorten testing turnaround time to improve customer satisfaction for our tests. We also plan to expand our manufacturing and laboratory testing capacity to support our rapid growth.

Selectively pursue geographic expansion, strategic partnerships and acquisition opportunities

We hold global rights of our products and product candidates through patent registration and protection over proprietary technologies. We plan to enter into partnership arrangements to expand our market coverage and maximize the global value of our products.

We also plan to complement our organic growth with prudent investment, acquisition or partnership. Particularly, we plan to opportunistically acquire product candidates which have significant market potential or cutting-edge technologies, complement our existing product portfolio or have synergies with our existing research and development, manufacturing and commercialization infrastructure. We will adopt a market-driven approach in assessing potential acquisition targets. To pursue such opportunities, we will explore suitable investment and partnership arrangements, including establishing strategic alliances, joint ventures and in-licensing relationships. We believe that our extensive industry knowledge and research and development expertise will not only empower us to promptly identify and capture potential targets to enrich our product portfolio, but also make us a more desirable acquiror or partner than our competitors. Furthermore, we believe that our strong business execution capabilities will enable us to integrate the acquired products and/or business or assets seamlessly into our existing platform.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**"), enhance corporate value, formulate its business strategies and policies and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Reporting Period, save and except for the deviation from code provision C.2.1 of the CG Code as disclosed below:

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. YeQing ZHU currently holds both positions.

The Board believes that in light of Company's recent successful transition from clinical stage to commercial stage, it is in the interests of the Group for Mr. YeQing ZHU to take up both roles as it helps to ensure operational focus within the Group and enables more effective and efficient overall strategic planning for the Group. The Board also believes that the balance of power and authority for the present arrangement will not be impaired, as all major decisions must be made in consultation with the Board as a whole, together with its relevant committees, which comprise experienced and high calibre individuals, with three independent non-executive Directors who are in the position to provide independent insights to the Board and monitor the management and operation of the Company, and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will periodically review and consider the effectiveness of this arrangement by taking into account the circumstances of the Group as a whole.

The Board will examine and review, from time to time, the Company's corporate governance practices and operations in order to meet the relevant provisions under the Listing Rules.

Compliance with Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code during the Reporting Period.

Use of Proceeds from the Global Offering

The shares of the Company were listed on the Stock Exchange on February 18, 2021 and the over-allotment option was exercised in full on March 12, 2021. The Company's net proceeds were approximately HK$2,190.5 million (after deducting the underwriting commissions and other estimated expenses in connection with the global offering and the exercise of the over-allotment option).

Up to December 31, 2022, the Company has utilized HK$1,197,896 or 54.7% of the net proceeds as specified in the below table. The Company intends to use the net proceeds in the same manner and proportion as set out in the prospectus of the Company (the "**Prospectus**") under the section headed "Future Plans and Use of Proceeds". The completion time of using such proceeds will be determined based on the Company's actual business needs and future business development.

	Use of proceeds as stated in the Prospectus	Net proceeds unutilized as of January 1, 2022	Actual use of proceeds during the year ended December 31, 2022	Actual use of proceeds up to December 31, 2022	Net proceeds unutilized as of December 31, 2022	Expected timeline for usage of proceeds
	(in HK$'000) (approximate)	*(in HK$'000) (approximate)*	*(in HK$'000) (approximate)*	*(in HK$'000) (approximate)*	*(in HK$'000) (approximate)*	
40% for the commercialization and further development of ColoClear as medical services or as a standalone product	876,200	578,333	330,365	628,232	247,968	The amount is expected to be fully utilized by second half of 2025
5% for the ongoing sales and marketing of Pupu Tube through promoting awareness of colorectal cancer screening and increasing market penetration, and to conduct additional clinical assessment of Pupu Tube in various populations	109,525	62,444	27,542	74,623	34,902	The amount is expected to be fully utilized by second half of 2025
30% for the ongoing and planned research and development to further develop UU Tube, CerviClear and our other early stage pipeline products	657,150	559,518	103,559	201,191	455,959	The amount is expected to be fully utilized by second half of 2025
15% for the continued expansion and diversification of our product portfolio through potential acquisition or in-licensing of product candidates in the cancer screening field	328,575	247,622	33,915	114,868	213,707	The amount is expected to be fully utilized by second half of 2025
10% for working capital and other general corporate purposes	219,050	117,884	77,816	178,982	40,068	The amount is expected to be fully utilized by second half of 2025
Total	2,190,500	1,565,801	573,197	1,197,896	992,604	

Pledge of Shares

The Company does not have any controlling shareholder. As at December 31, 2022, we did not have any pledging of shares by our largest shareholder.

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend of the Company for the year ended December 31, 2022 (December 31, 2021: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, June 9, 2023 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, June 6, 2023 to Friday, June 9, 2023 (both days inclusive), in order to determine the eligibility of the holders of shares to attend and vote at the AGM to be held on Friday, June 9, 2023. The holder of shares whose names appear on the share register of members of the Company on Friday, June 9, 2023 will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, June 5, 2023.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has considered and reviewed the audited consolidated annual results of the Group for the year ended December 31, 2022 and the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the audited consolidated annual results of the Group for the year ended December 31, 2022 are in compliance with the relevant accounting standards, laws and regulations.

EVENTS AFTER THE REPORTING PERIOD

In January 2023, the Company conducted a top-up placing with 27,543,000 shares of the Company placed to no less than six placees under the general mandate at the placing price of HK$28.38 per share on January 20, 2023 and top-up subscription of 27,543,000 new shares at the subscription price of HK$28.38 per share on January 30, 2023.

In January 2023, UU Tube started partnership with PHASE Scientific for marketing and sales of UU Tube in Hong Kong.

In January 2023, the Company established (1) a R&D Center in Hong Kong, mainly engaged in the research and development of cancer screening pipeline, targeting to expanding international market beyond mainland China and (2) New Horizon Health Research Institute based in Hong Kong, which focuses on early stage research and aims to enable next-generation molecular diagnostics with disruptive technology platforms.

In February 2023, CerviClear obtained CE Mark.

Save as disclosed the above, there were no other significant events occurred subsequent to December 31, 2022 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (https://ir.newhorizonbio.com) and the website of the Stock Exchange (www.hkexnews.hk).

The 2022 annual report of the Company containing all relevant information required under the Listing Rules will be published on the aforementioned websites and dispatched to the Shareholders in due course.

By order of the Board
New Horizon Health Limited
Mr. YeQing ZHU
Chairman

Hong Kong, March 13, 2023

At the date of this announcement, the Board comprises Mr. YeQing ZHU as Chairman and executive Director, Dr. Yiyou CHEN as executive Director, Mr. Naxin YAO as non-executive Director, and Mr. Danke YU, Prof. Hong WU and Dr. Donald Kwok Tung LI as independent non-executive Directors.